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No. **8-319A020**

Date **NOV 14 1988**

Fee \$ **13.00**

ICC Washington, D.C.

RECORDATION NO.

NOV 14 1988 9 25 AM

INTERSTATE COMMERCE COMMISSION

Dear Ms. McGee:

\$13.00 filing fee

News number
On behalf of General Electric Railcar Services Corporation, I submit for filing and recording under 49 U.S.C. Section 11303(a) and the regulations promulgated thereunder, four (4) executed counterparts of a primary document, not previously recorded, entitled Security Agreement, dated as of November 1, 1988.

The executing party to the enclosed Security Agreement is:

General Electric Railcar Services Corporation -
Debtor
33 West Monroe
Chicago, Illinois 60603

The secured party under the Security Agreement is:

Connecticut Mutual Life Insurance Company
Secured Party
140 Garden Street
Hartford, Connecticut 06115

Counterpart - H Siegel
The Security Agreement, among other things, contains a security interest granted by the Debtor to the Secured Party in and to those certain 205 100-ton, 4,000 cubic feet, open top hopper cars identified in Exhibit A to the Security Agreement, to secure a loan from the Secured Party to Debtor.

The equipment covered is 205 100-ton, 4000 cubic feet, open top hopper cars, as identified by MILW numbers in Exhibit A to the Secured Agreement, a copy of Exhibit A attached hereto.

A short summary of the document to appear in the ICC Index is as follows:

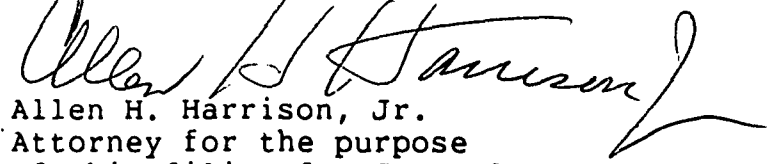
"Covers 205 open top hoppers, MILW 120000-120209, except MILW 120014, 120016, 120060, 120071 and 120074."

- 2 -

Enclosed is a check in the amount of thirteen dollars (\$13) in payment of the filing fee.

Once the filing has been made, please return to bearer the stamped counterparts of the Security Agreement not needed for your files, together with the fee receipt, the letter from the ICC acknowledging the filing, and the two extra copies of this transmittal letter.

Very truly yours,



Allen H. Harrison, Jr.
Attorney for the purpose
of this filing for General
Electric Railcar Services
Corporation.

Honorable Noretta R. McGee
Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Enclosures

AHH/iw

BY HAND

EXHIBIT A

DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Mark and Numbers (Both Inclusive)</u>
205	100-ton, 4000 Cubic Foot Capacity Open Top Hopper Cars	MILW 120000 through MILW 120209, except: MILW 120014, 120016, 120060, 120071, and 120074.

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

11-14-88

Allen H. Harrison, Jr.
2445 M Street N.W.
Washington, D.C. 20037

Dear Sir

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 11/14/88 at 9:35AM, and assigned recordation number(s). 16023

Sincerely yours,

Narta R. McGee

Secretary

Enclosure(s)

1 6023

REGISTRATION NO. _____ FILED 1220

NOV 14 1988-9 25 AM

SECURITY AGREEMENT INTERSTATE COMMERCE COMMISSION

Dated as of November 1, 1988

FROM

GENERAL ELECTRIC RAILCAR SERVICES CORPORATION

DEBTOR

TO

CONNECTICUT MUTUAL LIFE INSURANCE COMPANY

SECURED PARTY

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ATTACHMENT TO SECURITY AGREEMENT:

Exhibit A - Description of Equipment

SECURITY AGREEMENT

NOV 14 1988 - 9 25 AM

INTERSTATE COMMERCE COMMISSION

THIS SECURITY AGREEMENT dated as of November 1, 1988, (the "Security Agreement") from General Electric Railcar Services Corporation, a Delaware corporation (the "Debtor"), whose Post Office address is 33 West Monroe, Chicago, Illinois 60603, to CONNECTICUT MUTUAL LIFE INSURANCE COMPANY, whose Post Office address is 140 Garden Street, Hartford, Connecticut 06115, Attention: Private Placement Department (the "Secured Party").

RECITALS:

A. The defined terms used in this Security Agreement shall have the respective meanings indicated in Section 7 unless elsewhere defined or the context shall otherwise require.

B. The Debtor has entered into a Note Exchange Agreement dated as of November 1, 1988, (the "Note Exchange Agreement") with the Secured Party, providing for the commitment of the Secured Party to purchase the Adjustable Rate Secured Notes, due 1989-1999 in an aggregate principal amount not exceeding \$4,826,265.99 (the "Notes") of the Debtor, which Notes will be dated the date of issue and bear interest from and including the date of issue to but not including January 31, 1989, at the rate of 12.625% per annum and from and including January 31, 1989, to and including the date of maturity of the Notes at the Adjustable Rate determined as hereinafter set forth and will be expressed to mature as follows:

(i) forty (40) equal installments, including both principal and interest, each in an aggregate amount equal to 4.3818165% of the original amount thereof, payable quarterly on January 31, 1989, and on the last day of each April, July, October and January thereafter to and including October 31, 1998; and

(ii) a final installment on January 31, 1999, in an amount equal to the entire principal and interest remaining unpaid as of said date;

provided, however, that, upon the adjustment of the interest rate payable in respect of the Notes from the rate set forth therein to the Adjustment Rate on and as of each Adjustment Date, the amount of each of the remaining installments of principal and interest on the Notes shall be adjusted with the effect and result that the Notes will be fully amortized on the maturity date thereof based upon equal installments of principal and interest at the then effective Adjustable Rate.

"Adjustable Rate" shall mean a rate per annum equal to the lesser of (1) the maximum interest rate then permitted by

applicable law, (2) 15% per annum, and (3) such interest rate as the Required Holders shall in their sole and absolute discretion select. Such holders shall designate the applicable "Adjustable Rate" to the Debtor in writing at least thirty (30) days prior to the applicable Adjustment Date. Adjustment Date shall mean January 31, 1989, and January 31, 1994. If for any reason whatsoever, the Required Holders fail to notify the Debtor of the then applicable Adjustable Rate at least thirty (30) days prior to either Adjustment Date, the Notes shall continue to bear interest at the then effective interest rate until the next Adjustment Date or maturity date of the Notes, as the case may be. The Notes will be in the form attached as Exhibit A to the Note Exchange Agreement. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

C. The Notes and all principal thereof and interest thereon and all additional amounts and other sums at any time due and owing from or required to be paid by the Debtor under the terms of the Notes, this Security Agreement or the Note Exchange Agreement are hereinafter sometimes referred to as "indebtedness hereby secured."

D. All of the requirements of law have been fully complied with and all other acts and things necessary to make this Security Agreement a valid, binding and legal instrument for the security of the Notes have been done and performed.

SECTION 1. GRANT OF SECURITY.

The Debtor in consideration of the premises and of the sum of Ten Dollars (\$10) received by the Debtor from the Secured Party and other good and valuable consideration, receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and interest on the Notes according to their tenor and effect, and to secure the payment of all other indebtedness hereby secured and the performance and observance of all covenants and conditions in the Notes and in this Security Agreement and in the Note Exchange Agreement contained, does hereby convey, warrant, mortgage, assign, pledge and grant the Secured Party, its successors and assigns, a security interest in, all and singular of the Debtor's right, title and interest in and to the Properties, described on Exhibit A attached hereto and make a part hereof, (all of which Properties hereby mortgaged, assigned and pledged or intended so to be are hereinafter collectively referred to as the "Collateral"):

The security interest granted by this Security Agreement is subject to Permitted Encumbrances.

The Secured Party, its successors and assigns shall have and hold the Collateral forever; provided always, however, that such security interest is granted upon the express condition

that if the Debtor shall pay or cause to be paid all the indebtedness hereby secured and shall observe, keep and perform all the terms and conditions, covenants and agreements herein and in the Note Exchange Agreement and the Notes contained, then these presents and the estate hereby granted and conveyed shall cease and this Security Agreement shall become null and void; otherwise, to remain in full force and effect.

SECTION 2. COVENANTS AND WARRANTIES OF THE DEBTOR.

The Debtor covenants, warrants and agrees as follows:

2.1. Debtor's Duties. The Debtor covenants and agrees well and truly to perform, abide by and to be governed and restricted by each and all of the terms, provisions, restrictions, covenants and agreements set forth in the Note Exchange Agreement, and in each and every supplement thereto or amendment thereof which may at any time or from time to time be executed and delivered by the parties thereto or their successors and assigns, to the same extent as though each and all of said terms, provisions, restrictions, covenants and agreements were fully set out herein and as though any amendment or supplement to the Note Exchange Agreement were fully set out in an amendment or supplement to this Security Agreement.

2.2. Warranty of Title. The Debtor has the right, power and authority to grant a security interest in the Collateral to the Secured Party for the uses and purposes herein set forth; and the Debtor will warrant and defend the title to the Collateral against the claims and demands of all Persons whomsoever. Without limiting the foregoing, there is no financing statement or other instrument giving notice of any security interest in which the Debtor is named as or which the Debtor has filed, as debtor, now on file in any public office covering any of the Collateral, excepting the instruments filed or to be filed in respect of and for the security interest provided for herein.

2.3. Further Assurances. The Debtor will, at its own expense, do, execute, acknowledge and deliver all and every further acts, deeds, conveyances, transfers and assurances necessary or proper for the perfection of the security interest being herein provided for in the Collateral, whether now owned or hereafter acquired. Except where otherwise required by state or local law, the Secured Party may at any time file financing statements with respect to the Collateral without the signature of the Debtor.

2.4. Omitted.

2.5. Recordation and Filing. The Debtor will cause this Security Agreement and all financing and continuation

statements and similar notices required by applicable law, at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law in order fully to preserve and protect the rights of the Secured Party hereunder and will at its own expense furnish to the Secured Party promptly after the execution and delivery of this Security Agreement an Opinion of Mr. David J. Lidstone, Associate General Counsel of the Debtor, stating that in the opinion of such counsel this Security Agreement has been properly recorded or filed for record with the Interstate Commerce Commission so as to make effective of record the security interest intended to be created hereby, and stating the requirements of applicable law with respect to the re-recording or refiling of this Security Agreement (or continuation statements or similar notice thereof to the extent permitted or required by applicable law) prior to the final maturity date of the Notes in order to maintain the Lien and security interest granted thereunder in full force and effect as against creditors of and purchasers from the Debtor.

2.6. Maintenance. (a) The Debtor agrees that it will maintain and keep each Item of Equipment (including any parts installed or replacements made to any Item and accessions thereto) in good operating order, repair and condition and, in the case of Items of Equipment constituting railroad rolling stock, eligible for railroad interchange in accordance with the Interchange Rules of the Association of American Railroads and in full compliance with any applicable laws, rules, regulations or standards which may be promulgated by the Department of Transportation, the Federal Railway Administration, the Interstate Commerce Commission or other applicable regulatory body or any successor, agency or party thereto or any insurance company insuring such Item.

(b) Anything in this Section 2.6 to the contrary notwithstanding, in the case of any Equipment under lease to the Initial Lessee, an assumption by the Initial Lessee of any portion of the obligation to maintain such Equipment and the performance of such portion of the obligation to maintain such Equipment shall constitute compliance by the Debtor with its undertaking in this Section 2.6 in respect of such Equipment to the extent (but only to such extent) of the maintenance obligation so performed so long as, to the knowledge of the Debtor (after due inquiry), the Initial Lessee is not in default in respect of such maintenance obligation.

2.7. Marking of Equipment. Within a reasonable time following execution of this Agreement, the Debtor will cause each Item of Equipment to be kept numbered with the identifying number set forth on Exhibit A, and will use its best efforts to keep and maintain, plainly, distinctly, permanently and conspicuously marked on each side of each Item, in letters not

less than one inch in height, the words, "LEASED FROM GENERAL ELECTRIC RAILCAR SERVICES CORPORATION, AS LESSOR, AND SUBJECT TO A SECURITY INTEREST RECORDED WITH THE INTERSTATE COMMERCE COMMISSION," or other appropriate words designated or approved by the Secured Party, with appropriate changes thereof and additions thereto as from time to time may be required by law or reasonably requested in order to protect the Secured Party's security interest in such Item and the rights of the Secured Party under this Security Agreement under the laws of the United States of America. The Debtor will promptly replace or cause to be replaced any such name or words which may be removed, defaced, obliterated or destroyed. The Debtor will not change or authorize to be changed the identifying number of any Item of Equipment unless and until (a) a statement of new number or numbers to be substituted therefor shall have been filed with the Secured Party and filed, recorded and deposited by the Debtor in all public offices where the Security Agreement shall have been filed, recorded and deposited and (b) the Debtor shall have furnished to the Secured Party an Opinion of Counsel to the effect that such statement has been so filed, recorded and deposited, such filing, recordation and deposit will protect the Secured Party's security interest in such Item of Equipment and no filing, recording, deposit or giving of notice with or to any other Federal, state or local government or agency thereof is necessary to protect the interest of the Secured Party in such Item of Equipment under the laws of the United States of America.

Except as provided in this Section 2.7, the Debtor will not authorize the name of any Person to be placed on any Item of Equipment as a designation that might be interpreted as a claim of ownership; provided, however, that the Debtor may authorize the Equipment to be lettered with the names, trademarks, initials or other insignias customarily used by a Lessee or its Affiliates on railroad equipment used by it of the same or similar type for convenience of identification of its right to use the Equipment under a Lease, and the Equipment may be lettered in an appropriate manner for convenience of identification of the interest of such Lessee therein.

2.8. Insurance of Equipment. (a) The Debtor will at all times during the period that any indebtedness hereby secured is outstanding cause to be carried and maintained property and casualty insurance and public liability insurance against the risks and in the amounts customarily insured against by owners of equipment similar to the Equipment. Without limiting the foregoing, such insurance policy shall provide coverage at least equal to the following:

(i) with respect to public liability insurance, coverage of not less than \$5,000,000 for any one occurrence; and

(ii) with respect to casualty insurance, coverage under such policies and in amounts which will at all times be sufficient to cover the Casualty Value of any item; provided that if the Casualty Value of all Items at any given time is less than what the deductible would be for the amounts customarily insured against by companies in similar financial condition and engaged in a business similar to that of the Debtor on similar equipment owned by them, then no casualty insurance need be carried.

The proceeds of policies required to be maintained pursuant to this Section shall be payable to the Debtor and the Secured Party as their interests may appear. Any policies of insurance carried in accordance with this Section shall (A) require 30 days prior notice of cancellation or material change to the Secured Party, (B) name the Secured Party as an additional named insured in the case of public liability insurance and as an additional loss payee pursuant to a lender's loss payable clause acceptable to the Secured Party in the case of casualty insurance, (C) insure the interest of the Secured Party regardless of any breach or violation by the Debtor of any warranties, declarations or conditions contained in any such policy and (D) provide that all provisions of such policies, except limits of liability, will operate in the same manner as if there were a separate policy covering each insured. No such policy shall require coinsurance or assume any contracted coverage for whatever reason.

(b) Anything in this Section 2.8 to the contrary notwithstanding, in the case of any Equipment under lease to the Initial Lessee pursuant to the Initial Lease, an undertaking by the Initial Lessee to maintain insurance in form and substance as currently in effect pursuant to Section 7 of the Initial Lease and the performance of the obligations therein contained shall constitute compliance by the Debtor with its undertaking in this Section 2.8 in respect of such Equipment so long as, to the knowledge of the Debtor (after due inquiry), the Initial Lease is not in default in respect of its obligation to maintain such insurance.

2.9. Taxes and Claims. (a) The Debtor will pay, before they become delinquent, all taxes, assessments and governmental charges or levies imposed upon it or its Property and all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons, which, if unpaid, might result in the creation of a Lien upon its Property, provided that items of the foregoing description need not be paid while being contested in good faith and by appropriate proceedings and, provided, further, that adequate book reserves have been established with respect thereto and that the owing company's title to, and its right to use its Property is not materially adversely affected thereby.

(b) Without limiting the provisions of Section 2.9(a) hereof, the Debtor shall promptly pay and discharge all personal property taxes and other taxes, charges, assessments and levies of whatever kind or nature imposed upon or against the Equipment subject hereto or upon or with respect to the use or operation thereof which if unpaid might become a Lien upon or against any of the Equipment or any part thereof, or the Debtor's interest in any Lease or the payments due or to become due thereunder, or any part thereof.

(c) Without limiting the provisions of Section 2.9(a) hereof, the Debtor will not directly or indirectly create, permit or suffer to be created or to remain, and will pay or discharge any and all claims made by any Person which if unpaid, might become a Lien on or with respect to any Item of Equipment or any part thereof subject hereto, or the Debtor's interest in the Equipment or in any Lease or the payment due and to become due thereunder or any part thereof, other than Permitted Encumbrances, and will promptly discharge any such Lien which arises.

(d) The Debtor shall not be required to pay or discharge any tax, charge, assessment, claim or Lien or other encumbrance of the character described in clause (b) or (c) of this Section 2.9 so long as: (i) the validity thereof shall be contested in good faith and by appropriate proceedings, (ii) prompt notice of such contest is given to the Secured Party, (iii) the non-payment or non-discharge of such tax, charge, assessment, claim or Lien does not materially adversely affect the interest of the Debtor or the security interest or rights of the Secured Party in or to the Equipment or the proceeds thereof or any other rights of the Secured Party under this Security Agreement and (iv) the Debtor shall have furnished the Secured Party an Opinion of Counsel to the effect set forth in clause (iii) of this paragraph.

2.10. Compliance with Laws and Rules. (a) The Debtor will not be in violation of any laws, ordinances or governmental rules and regulations to which it is subject and will not fail to obtain any licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Properties or to the conduct of its business which violation or failure to obtain might materially adversely affect the business prospects, profits, Properties or condition (financial or otherwise) of the Debtor.

(b) Without limiting the provisions of Section 2.10(a) hereof, the Debtor agrees to comply in all respects (including without limitation, with respect to the use, maintenance and operation of each Item of Equipment) with laws, rules, regulations and ordinances of the jurisdictions in which its operations involving the Items of Equipment may extend,

including without limitation the Interchange Rules of the Association of American Railroads and with all rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over any Item of Equipment, to the extent that such laws, rules, regulations and ordinances affect the title, operation or use of the Items of Equipment, and in the event that such laws, rules, regulations or ordinances require any alteration, replacement, modification or addition of or to any part of any Item of Equipment (a "Required Alteration"), the Debtor will fully conform therewith and perform or cause to be performed any such Required Alteration by any required date of compliance; provided, however, that the Debtor shall not be required to comply with any such law, rule, regulation or ordinance so long as (i) the validity thereof shall be contested in good faith by appropriate proceedings, (ii) prompt notice of such contest is given to the Secured Party, (iii) such contest does not materially adversely affect the interest of the Debtor or the security interest or rights of the Secured Party in or to the Equipment or proceeds thereof or any other rights of the Secured Party under this Security Agreement and (iv) the Debtor shall have furnished the Secured Party an Opinion of Counsel to the effect set forth in clause (iii) of this paragraph.

2.11. Possession of Equipment. So long as an Event of Default shall not have occurred and be continuing, and subject to the rights of the Initial Lessee, if any, under the Initial Lease, the Debtor shall be entitled to the possession and use of the Equipment in accordance with the terms hereof, and may also lease to others all or part of the Equipment pursuant to Leases, but only upon and subject to the terms and conditions of this Security Agreement and subject and subordinate to the rights of the Secured Party hereunder.

Any and all Leases shall be expressly subject and subordinate to the rights of the Secured Party hereunder and shall include the following clause: "It is understood that the equipment furnished the Lessee under this Agreement are subject to the terms of a Security Agreement or similar security arrangement duly filed and recorded. Lessee agrees that the equipment may be stencilled or marked to indicate the rights of the security holder under such security arrangement and that this Agreement and Lessee's rights hereunder are and shall be at all times subject and subordinate to any and all rights of any security holder under such security arrangements."

2.12. Equipment Reports. On or before May 1 of each year commencing with the calendar year 1989 the Debtor will furnish the Secured Party an accurate statement (a) setting forth as at the previous December 31 the amount, description and numbers of all Items of Equipment that have suffered a Casualty

Occurrence (as defined in Section 4.1 hereof) and the numbers of all Items that have suffered a Casualty Occurrence during the preceding calendar year (specifying the dates of such Casualty Occurrences) or to the knowledge of the Debtor are then undergoing repairs (other than running repairs) and such information regarding the condition and state of repair of the Items as the Secured Party may reasonably request, (b) stating that in the case of all Items repainted or repaired to the Debtor's knowledge during the period covered by such statement, the numbers and markings required by Section 2.7 hereof have been preserved or replaced, and (c) describing all Leases relating to the Equipment, the Lessees under such Leases and the Items of Equipment leased under each of such Leases.

2.13. Financial Statements and Business Information.

(a) The Company will provide annual Form 10-K and quarterly Form 10-Q statements of its parent, General Electric Capital Corporation as well as the following:

(i), (ii) and (iii) Omitted.

(iv) SEC and Other Reports - promptly upon their becoming available one copy of each financial statement, report, notice or proxy statement sent by the Debtor to stockholders generally, and of each regular or periodic report and any registration statement, prospectus or written communication relating to the financial condition of the Debtor (other than transmittal letters) in respect thereof filed by the Debtor with any securities exchange or with the Securities and Exchange Commission or any successor agency and copies of any orders in any proceedings to which the Debtor is a party issued by such Commission, agency or exchange;

(v) ERISA - immediately upon becoming aware of the occurrence of any (A) "reportable event," as such term is defined in Section 4043 of ERISA, or (B) "prohibited transaction", as such term is defined in Section 4975 of the Internal Revenue Code of 1954, as amended, in connection with any Pension Plan or any trust created thereunder, a written notice specifying the nature thereof, what action the Debtor is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with respect thereto;

(vi) Notice of Default or Event of Default - immediately upon becoming aware of the existence of any condition or event which constitutes a Default or an Event of Default a written notice specifying the nature and period of existence thereof and what action the Debtor is taking or proposes to take with respect thereto;

(vii) **Notice of Claimed Default** - immediately upon becoming aware that the holder of any Note or of any evidence of indebtedness for borrowed Money or other Security of the Debtor has given notice or taken any other action with respect to a claimed default or Event of Default, a written notice specifying the notice given or action taken by such holder and the nature of the claimed default or Event of Default and what action the Debtor is taking or proposes to take with respect thereto;

(viii) Omitted.

(ix) **Requested Information** - with reasonable promptness, such other data and information as from time to time may be reasonably requested.

2.14. Maintenance of Corporate Existence. The Debtor will preserve and keep in full force and effect its existence, rights and franchises, except as otherwise permitted by Section 2.16 hereof.

2.15. Payment of Notes and Maintenance of Office. The Debtor will punctually pay or cause to be paid the principal and interest to become due in respect of the Notes according to the terms thereof and all other indebtedness hereby secured as and when the same becomes due and payable and will maintain an office in the State of Illinois where notices, presentations and demands in respect of this Security Agreement, the Note Exchange Agreement or the Notes may be made upon it. Such office shall be maintained at 33 West Monroe, Chicago, Illinois 60603, until such time as the Debtor shall so notify the holders of the Notes of which it has knowledge of any change of location of such office.

2.16. Merger and Consolidation. The Debtor may consolidate with or merge into any other Person or permit any other Person to consolidate or merge into it; provided, that the Debtor shall give the Secured Party forty-five (45) days' notice of such consolidation or merger, during which time the Secured Party may at its option request that the Debtor prepay the Notes. Any such prepayment shall be made with accrued interest on the principal amount of the Notes to the date of such prepayment, plus a "Make Whole Premium" (as defined below). If the Secured Party does not request prepayment during the forty-five (45) day period, then it will be deemed to have consented to the consolidation or merger.

If on the date of prepayment of the Notes in accordance with this Section, the "Treasury Rate" (as defined below) plus the "Increment" (as defined below) is lower than 12.625%, then the Make Whole Premium shall mean the excess of (a) the present value of the principal and interest payments on and in respect

of the Notes that would otherwise become due and payable (without giving effect to such prepayment), discounted at a rate which is equal to the Treasury Rate plus the Increment, over (b) the principal amount of the Notes at par. If on the date of such prepayment the Treasury Rate plus the Increment is equal to or higher than 12.625%, then the Make Whole Premium is zero.

The Treasury Rate shall mean the then-existing yield to maturity on the United States Treasury obligations with a constant maturity (as compiled by and published in the most recently published issue of the United States Federal Reserve Statistical Release designated H.15(519) or its successor publication) most nearly equal to (by rounding to the nearest month) the "Weighted Average Life to Maturity" (as defined below) of the Notes.

The Increment shall be .75%.

Weighted Average Life to Maturity shall mean the number of years obtained by dividing the then "Remaining Dollar-Years" (as defined below) of the Notes by the outstanding principal amount of the Note.

Remaining Dollar-Years shall mean the sum obtained by (a) multiplying (i) the amount of each then-remaining required principal payment (including repayment at final maturity), by (ii) the number of years calculated to the nearest one-twelfth) which will elapse between the time of determination and the date such required repayment is due, and (b) totaling all the products obtained in (a).

2.17. Omitted.

2.18. Omitted.

2.19. **Transactions with Affiliates.** The Debtor will not enter into any transaction, including without limitation, the purchase, sale or exchange of Property or the rendering of any service, with any Affiliate except in the ordinary course of and pursuant to the reasonable requirements of the Debtor's business and upon fair and reasonable terms no less favorable to the Debtor than would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

2.20. **Acquisition of Notes.** The Debtor will not directly or indirectly acquire or make any offer to acquire any Notes unless the Debtor has offered to acquire Notes, pro rata, from all holders of the Notes and upon the same terms. In case the Debtor acquires any Notes, such Notes shall thereafter be cancelled and no Notes shall be issued in substitution therefor.

2.21. Omitted.

2.22. Omitted.

2.23. **Modification of the Initial Lease.** If a Default or Event of Default has occurred and is continuing, the Debtor will not:

(a) declare a default or exercise the remedies under, or terminate, modify or accept a surrender of, or offer or agree to any termination, modification, surrender or termination of, the Initial Lease or by affirmative act consent to the creation or existence of any security interest or other Lien (other than the security interest and Lien of this Security Agreement) to secure the payment of indebtedness for borrowed money upon the leasehold estate created by the Initial Lease or any part thereof or any other interest of the Debtor in the Initial Lease;

(b) receive or collect or permit the receipt or collection of any payment under the Initial Lease prior to the date for payment thereof provided for by the Initial Lease or assign, transfer or hypothecate any payment then due or to accrue in the future under the Initial Lease in respect of the Equipment or otherwise; or

(c) sell, mortgage, transfer, assign or hypothecate its interest in the Initial Lease or (other than to the Secured Party hereunder) in any Initial Item of Equipment or any part thereof or in any amount to be received by it from the use or disposition of the Equipment.

The Debtor will give the Secured Party written notice prior to the exercise by the Debtor in respect of the Initial Lease of any right or option contemplated in clause (a), (b) or (c) of this Section 2.23.

2.24. Omitted.

2.25. **Notice of Default.** The Debtor further covenants and agrees that it will give the Secured Party prompt written notice of any event or condition constituting a default or event of default under the Initial Lease or of any Default or Event of Default hereunder if the Debtor has actual knowledge of such event or condition.

SECTION 3. RELEASE OF PROPERTY.

3.1. **Release of Property - Casualty Occurrence.** So long as no Default or Event of Default hereunder has occurred and is continuing, the Secured Party shall execute a release in respect of any Item of Equipment designated by the Debtor as having suffered a Casualty Occurrence pursuant to Section 5.2 hereof upon receipt from the Debtor of written notice

designating the Item of Equipment released and the receipt from the Debtor of the sums payable in respect of such Item of Equipment pursuant to said Section 5.2.

3.2. Release of Property - Sale of Equipment. So long as no Default or Event of Default hereunder has occurred and is continuing, the Secured Party shall execute a release in respect of the Initial Equipment upon receipt from the Debtor of (a) satisfactory evidence that the Debtor has discontinued use of the Initial Equipment in the business operations of the Debtor and its Affiliates and has irrevocably arranged to sell or otherwise dispose of the same to a Person other than an Affiliate of the Debtor, and (b) the sums payable in respect of the Equipment pursuant to Section 5.5 hereof.

3.3. Release of Equipment - Deposit of Government Obligations or Substitution of Equipment. Upon the request of the Debtor, the Secured Party shall release the Equipment from the Lien hereof, if prior to such release the Debtor shall either: (a) deposit with a trustee (the "Trustee") to be appointed by the Secured Party pursuant to a trust agreement in form and substance acceptable to the Debtor and the Secured Party a sum equal to not less than the then unpaid principal balance on all outstanding Notes together with the aggregate interest accrued and to accrue thereon to and including the maturity date of such Notes, or (b) substitute Substitute Equipment having as of the date of substitution a Fair market Value and a Useful Life equal to or greater than the Fair market Value and Useful Life of all (but not less than all) of the Equipment for which such Substitute Equipment is being substituted. If the Debtor has deposited a sum pursuant to clause (a) hereof, such sum shall be invested by the Trustee in such direct obligations of the United States of America or obligations for which the full faith and credit of the United States is pledged to provide for the payment of principal and interest or repurchase agreements fully secured by one or more obligations as from time to time may be directed by the Debtor. At such times as payments shall become due on the Notes as the case may be, a sufficient portion of such obligations shall be sold to permit the Trustee to make such payments to the holders of such Notes and the Trustee shall make such payments on the date due in the manner provided for payment thereof in this Security Agreement. If at any time the sum held by the Trustee is insufficient to satisfy any payment when the same becomes due and payable, whether as a result of a loss on any investment or otherwise, the Debtor shall remit to the Trustee the amount of such deficiency prior to the date the subject payment is due. So long as no Default or Event of Default has occurred and is continuing and the fair market value of such obligations is not less than the original sum so deposited (after deducting any payments made on the subject Notes), the earnings on such obligations may from time to time be disbursed by the Trustee to

the Debtor in accordance with the Debtor's written request. Prior to the release of the Equipment in connection with a substitution therefor of Substitute Equipment pursuant to clause (b) of this Section 3.3., the Secured Party shall have received the following:

(i) satisfactory evidence that the Debtor has discontinued use of the Equipment in the business operations of the Debtor and its Affiliates and has irrevocably arranged to sell or otherwise dispose of the same to a Person other than an Affiliate of the Debtor;

(ii) a bill or bills of sale evidencing that the Debtor has good and marketable title to the Substitute Equipment free and clear of all Liens, other than Permitted Encumbrances, in form and substance reasonably satisfactory to the Secured Party and its counsel;

(iii) written evidence in form and substance reasonably satisfactory to the Secured Party and its counsel that the Substitute Equipment has a Fair Market Value and Useful Life equal to or greater than the Fair Market Value and Useful Life of the Equipment for which such Substitute Equipment is being substituted;

(iv) a Security Agreement supplement describing the Substitute Equipment duly executed, acknowledged and delivered by the Debtor, in full force and effect and recorded or filed for record, together with all necessary financing statements and similar notices, if and to the extent permitted or required by applicable law, in each public office wherein such recording or filing is deemed necessary or appropriate by the Secured Party and its counsel to perfect the Lien thereof as a valid and perfected first security interest in the Substitute Equipment free and clear of all Liens, other than Permitted Encumbrances;

(v) an opinion of counsel for the Debtor in form and substance satisfactory to the Secured Party and its counsel to the effect that: the Security Agreement supplement with respect to the Substitute Equipment has been duly authorized, executed and delivered by the Debtor and constitutes a legal, valid and binding instrument in accordance with its terms; such Security Agreement supplement (together with all necessary financing statements and similar notices if and to the extent permitted or required by applicable law) has been filed for record or recorded in all public offices where such filing or recordation is necessary to perfect the Lien and security interest granted by the Security Agreement supplement as against creditors of and purchasers from the

Debtor and that the Security Agreement supplement constitutes a valid and perfected first security interest in the Substitute Equipment effective as against creditors of and purchasers from the Debtor; the Debtor has good and marketable title to all Items of Substitute Equipment free and clear of all Liens, other than Permitted Encumbrances; no approval, consent or withholding of objection on the part of or filing or registration or qualification with any governmental body, Federal, state or local, is necessary in connection with the execution and delivery by the Debtor of the Security Agreement supplement or the performance by the Debtor of any of the matters required of the Debtor thereunder; and compliance by the Debtor with all of the provisions of the Security Agreement supplement will not conflict with or result in any breach of any of the provisions of or constitute a default under or result in the creation or imposition of any Lien on any Property of the Debtor pursuant to the provisions of the certificate of incorporation or by-laws of the Debtor or any other agreement or instrument known to such counsel to which the Debtor is a party or by which the Debtor may be bound; and

(vi) such other opinions, certificates and other instruments as the Secured Party or its counsel may reasonable request.

The Debtor agrees to pay all reasonable costs, charges and expenses in any way relating to or incurred in connection with the appointment and continuing performance of each and every Trustee pursuant to clause (a) of this Section 3.3 and each and every granting of a security interest in Substitute Equipment pursuant to clause (b) of this Section 3.3, including in every such case reasonable attorneys fees and expenses of the Secured Party and its counsel, recording fees and all applicable taxes which may be incurred or imposed by reason of the terms contemplated by this Section 3.3.

3.4. Release from Certain Covenants. Provided that the Debtor shall have deposited a sum pursuant to clause (a) of Section 3.3 hereof equal to the unpaid principal balance of all outstanding Notes together with the aggregate interest accrued and to accrue thereon to and including the maturity date of such Notes and has complied with the other conditions set forth in said Section 3.3, the Debtor shall be released from and shall no longer be required to perform under the covenants set forth in Sections 2.5 through 2.8, Sections 2.9(b), 2.9(c), 2.9(d), Sections 2.10(b), 2.11, 2.12, 2.19 and Sections 2.23 and 2.25 hereof with respect to the Equipment. In all other respects this Security Agreement shall remain in full force and effect.

3.5. Protection of Purchaser. No purchaser in good faith of Property purporting to be released hereunder shall be

bound to ascertain the authority of the Secured Party to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority; nor shall any purchaser, in good faith, of any Item of Equipment be under obligation to ascertain or inquire into the conditions upon which any such sale is hereby authorized.

SECTION 4. APPLICATION OF CERTAIN MONEYS RECEIVED BY THE SECURED PARTY.

4.1. Insurance Proceeds. The amounts received by the Secured Party from time to time which constitute proceeds of casualty insurance maintained by the Debtor in respect of the Equipment, shall be held by the Secured Party as a part of the Collateral and shall be applied by the Secured Party from time to time to any one or more of the following purposes:

(a) so long as no Default or Event of Default has occurred and is continuing, the proceeds of such insurance shall, if the Item of Equipment is to be repaired, be released to the Debtor as reimbursement for expenditures made for such repair upon receipt by the Secured Party of a copy of the invoice or invoices covering such repairs and an Officer's Certificate to the effect that any damage to such Item in respect of which such proceeds were paid has been fully repaired; and

(b) If the insurance proceeds shall not have been released to the Debtor pursuant to the preceding paragraph (a) within 180 days from the receipt thereof by the Secured Party, or if within such period the Debtor shall have notified the Secured Party in writing that such Item has suffered a Casualty Occurrence, then so long as no Default or Event of Default hereunder has occurred and is continuing, the insurance proceeds shall be applied by the Secured Party to the prepayment of the Notes pursuant to Section 5.2 hereof.

4.2. Default. If an Event of Default referred to in Section 6 hereof has occurred and is continuing, all amounts received by the Secured Party pursuant to this Section 4 or Section 5 hereof shall be applied in the manner provided for in Section 6 in respect of proceeds and avails of the Collateral.

SECTION 5. PREPAYMENT OF NOTES.

5.1. Prepayment and Manner Thereof. Except to the extent provided for in this Section 5, the Notes shall not be subject to prepayment or redemption in whole or in part at the option of the Company prior to the expressed maturity dates thereof. Every prepayment of Notes shall be made in accordance with the provisions of this Section 5.

5.2. Required Prepayment - Casualty Occurrence. If an Item of Equipment shall be the subject of a Casualty Occurrence, the Debtor shall promptly following such Casualty Occurrence, and in any event not later than the Installment Payment Date next following the date of such Occurrence, give the Secured Party written notice thereof and shall make a prepayment of the Notes issued to finance a portion of the Purchase Price of such Item in an amount equal to the Casualty Value of such Item on and as of such Installment Payment Date, together with interest accrued on such Notes to the date of payment, but without premium.

5.3. Optional Prepayment with Premium. In addition to the requirement of prepayment set forth in Section 5.2 hereof, the Debtor shall have the following privileges of optional prepayment of the Notes:

(a) Omitted.

(b) the Debtor may on any Installment Payment Date after January 31, 1994, prepay the Notes in whole but not in part, by payment of the entire principal amount of the Notes to be prepaid, and interest accrued thereon to the date of prepayment, together with a premium equal to the applicable percentage of the amount of the Notes then to be prepaid as follows:

<u>If Prepaid During the 12-Month Period Ending January 31 in the Year</u>	<u>Percentage of Principal Amount</u>
1995	5.00%
1996	3.75%
1997	2.50%
1998	1.25%
1999	0.00%

5.4. Prepayment upon Adjustment of Interest Rate. In the event that the Required Holders shall have exercised their option to adjust the interest rate payable on the Notes to the Adjustable Rate on and as of an Adjustment Date, then and in such event (but only in such event) the Debtor may, on the Installment Payment Date next following such Adjustment Date, prepay all (but not less than all) of any of the Notes which have been the subject of such adjustment, together with interest accrued on such series of Notes to the date of prepayment at the Adjustable Rate designated by the Required Holders, but without premium. The Debtor understands and agrees that if the Required Holders do not adjust the interest rate payable in respect of Notes on and as of an Adjustment Date, the Debtor shall have no right to prepay such series of Notes. If for any reason the Debtor does not exercise its right to prepay a series of Notes

on and as of the Installment Payment Date next following an Adjustment Date as permitted hereby, such option to so prepay shall thereupon cease and lapse and be of no further force and effect unless and until the Required Holders shall have adjusted the interest rate payable in respect of such series of Notes on and as of the next following Adjustment Date.

5.5. **Special Prepayment of Notes.** In the event that the Initial Lessee does not extend and renew the Initial Lease upon the expiration of the primary term thereof and the Debtor in consequence elects to sell all (but not less than all) of the Equipment then subject to the Initial Lease, then and in such event the Debtor may, on the Installment Payment Date next following the expiration of the primary term of the Initial Lease, prepay all (but not less than all) of the Notes, together with interest accrued thereon to the date of prepayment, but without premium; provided that the Debtor shall have prior to such prepayment satisfied the requirements of Section 3.2 of this Security Agreement.

5.6. Omitted.

5.7. Omitted.

5.8. **Notice of Prepayments.** The Debtor will give written notice of any prepayment of any of the Notes (other than a prepayment pursuant to Section 5.2 or 5.4 hereof) to each holder thereof not less than 30 days nor more than 60 days before the date fixed for such prepayment specifying (a) such date, (b) the section of this Security Agreement under which the prepayment is to be made, (c) the principal amount of the holder's Notes to be prepaid on such date, and (d) the premium, if any, and accrued interest applicable to the prepayment. Such notice of prepayment shall also certify all facts which are conditions precedent to any such prepayment. Notice of prepayment having been so given, the aggregate principal amount of the Notes specified in such notice, together with premium, if any, and interest accrued thereon shall become due and payable on the prepayment date.

5.9. **Allocation of Prepayments.** The aggregate principal amount of each required or optional partial prepayment of the Notes shall be allocated in units of \$1,000 or multiples thereof among the holders of the series of Notes to be prepaid at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts of the series of Notes to be prepaid then outstanding, with adjustments, to the extent practicable, to equalize for any prior prepayments not in such proportion.

5.10. **Amortization Schedules.** On the date of the partial prepayment of any Note, the Debtor shall deliver to the

Secured Party and each holder of the Notes two copies of an amortization schedule with respect to such Note setting forth the amount of the installment payments to be made on such Note after the date of such partial prepayment and the unpaid principal balance of such Note after each such installment payment.

SECTION 6. DEFAULTS AND OTHER PROVISIONS.

6.1. Events of Default. Any of the following occurrences or acts shall constitute an "Event of Default" under this Agreement:

(a) Principal or Interest Payments. Default in payment of principal of, or any installment of interest on, any Note when and as the same shall become due and payable, whether at the due date thereof or at the date fixed for prepayment or by acceleration or otherwise, and any such default shall continue unremedied for ten days; or

(b) Omitted.

(c) Other Defaults. The Debtor fails to comply with any other provision of this Security Agreement or the Note Exchange Agreement and such failure is not remedied within 30 days after the date such failure shall first become known to any officer of the Debtor; or

(d) Warranties or Representations. Any warranty, representation or other statement by or on behalf of the Debtor contained in this Security Agreement or the Note Exchange Agreement or in any instrument furnished in compliance with or in reference to any of such agreements if false or misleading in any material respect; or

(e) Default on Indebtedness or Other Security. The Debtor fails to make any payment due on any indebtedness for borrowed money (other than Non-Recourse Debt) having an aggregate unpaid principal balance in excess of \$250,000 or other Security (other than any Security evidencing Non-Recourse Debt) or any event shall occur (other than the mere passage of time) or any condition shall exist in respect of any such indebtedness for borrowed money or other Security of the Debtor or under any agreement securing or relating to any indebtedness for borrowed money (other than Non-Recourse Debt) or other Security (other than any Security evidencing Non-Recourse Debt), the effect of which is (i) to cause (or permit any holder of such indebtedness for borrowed money or other Security or a trustee to cause) such indebtedness for borrowed money or other Security, or a portion thereof, to become due prior to its stated maturity or prior to its regularly scheduled

dates of payment, or (ii) to permit a trustee or the holder of any Security (other than common stock of the Debtor) to elect a majority of the directors on the Board of Directors of the Debtor; or

(f) Omitted.

(g) Omitted.

(h) Omitted.

(i) Voluntary Bankruptcy Proceedings. A custodian, receiver, liquidator or trustee of the Debtor, or of any of the Property of any thereof, is appointed by court order and such order remains in effect for more than 30 days; or the Debtor is adjudicated bankrupt or insolvent or suffers an order for relief under applicable Federal bankruptcy law to be entered with respect to it; or any of the Property of any thereof is sequestered by court order and such order remains in effect for more than 30 days; or a petition is filed against the Debtor, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 30 days after such filing; or

(j) Voluntary Petitions. The Debtor files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under any such law; or

(k) Assignment for Benefit of Creditors, Etc. The Debtor makes an assignment for the benefit of its creditors, is generally not paying its debts as they become due, or admits in writing its inability to pay its debt generally as they become due, or consents to the appointment of a custodian, receiver, trustee or liquidator of the Debtor, or of all or any part of the Property of any thereof; or

(l) Undischarged Final Judgments. Final judgment or judgments for the payment of money aggregating in excess of \$100,000 is or are outstanding against the Debtor and any one of such judgments has been outstanding for more than 30 days from the date of its entry and has not been discharged in full or stayed.

6.2. **Secured Party's Rights.** The Debtor agrees that when any Event of Default as defined in Section 6.1 has occurred

and is continuing, the Secured Party shall have the rights, options, duties and remedies of a secured party, and the Debtor shall have the rights and duties of a debtor, under the Uniform Commercial Code of Illinois (regardless of whether such Code or a law similar thereto has been enacted in a jurisdiction wherein the rights or remedies are asserted) and without limiting the foregoing, the Secured Party may exercise any one or more or all, and in any order, of the remedies hereinafter set forth, it being expressly understood that no remedy herein conferred is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute:

(a) The Secured Party or any other holder of the Notes from time to time may, by notice in writing to the Debtor, declare the entire unpaid balance of the Notes to be immediately due and payable, and thereupon all such unpaid balance, together with all accrued interest thereon, shall be and become immediately due and payable;

(b) Subject always to the rights of the Initial Lessee under the Initial Lease, provided the Initial Lessee is not in default thereunder, the Secured Party personally or by agents or attorneys, shall have the right (subject to compliance with any applicable mandatory legal requirements) to take immediate possession of the Collateral, or any portion thereof, and for that purpose may pursue the same wherever it may be found, and may enter any of the premises of the Debtor, with or without notice, demand, process of law or legal procedure, and search for, take possession of, remove, keep and store the same, or use and operate or lease the same until sold;

(c) Subject always to the rights of the Initial Lessee under the Initial Lease, provided the Initial Lessee is not in default thereunder, in the event the Secured Party shall demand possession of the Equipment then, without limiting the provisions of paragraph (b) hereof, the Debtor shall forthwith deliver possession of the Equipment to the Secured Party in good order and repair. For the purposes of delivering possession of any Equipment to the Secured Party as above required, the Debtor shall, at its own cost and expense, forthwith:

(i) in the case of any Item of Equipment constituting railroad rolling stock, assemble such Equipment and place the same upon such storage tracks within the continental United States as the Secured Party shall reasonably designate and in the case of any other Items of Equipment, assemble such Equipment and place the same at such storage location within the

continental United States as the Secured Party shall reasonably designate;

(ii) provide storage at the risk and expense of the Debtor for such Equipment on such storage tracks or on such storage location, as the case may be, until the Secured Party shall have sold or leased the Equipment;

(iii) cause the Equipment or any thereof to be transported at the cost of the Debtor to such place or places within the continental United States as the Secured Party shall direct; and

(iv) maintain at its expense insurance coverage as required by Section 2.8(b) hereof for the entire period of such assembly, storage and transport.

The assembling, delivery, storage and transporting of the Equipment as hereinabove provided are of the essence of this Security Agreement, and upon application to any court of equity having jurisdiction in the premises, the Secured Party shall be entitled to a decree against the Debtor requiring specific performance of the covenants of the Debtor so as to assemble, deliver, store and transport the Equipment.

(d) Subject always to the rights of the Initial Lessee under the Initial Lease, provided the Initial Lessee is not in default thereunder, the Secured Party may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Debtor once at least ten days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of said Collateral, or any part thereof, at private sale or public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Secured Party may determine, and at any place (whether or not it be the location of the Collateral or any part thereof) designated in the notice above referred to. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further published notice, and Secured Party or the holder or holders of the Notes, or of any interest therein, may bid and become the purchaser at any such sale;

(e) The Secured Party may proceed to protect and enforce this Security Agreement and said Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or Agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper, legal or equitable remedy available under applicable law; and

(f) The Secured Party may proceed to exercise all rights, privileges and remedies of the Debtor, as lessor under any of the Leases, and may exercise all such rights and remedies either in the name of the Secured Party or in the name of the Debtor for the use and benefit of the Secured Party.

6.3. Acceleration Clause. In case of any sale of the Collateral, or of any part thereof, pursuant to any judgment or decree of any court or otherwise in connection with the enforcement of any of the terms of this Security Agreement, the principal of the Notes, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable; also, in the case of any such sale, the purchaser or purchasers, for the purpose of making settlement for or payment of the purchase price, shall be entitled to turn in and use the Notes and any claims for interest matured and unpaid thereon, in order that there may be credited as paid on the purchase price the sum apportionable and applicable to the Notes including principal and interest thereof out of the net proceeds of such sale after allowing for the proportion of the total purchase price required to be paid in actual cash.

6.4. Effect of Sale. Any sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Debtor in and to the Collateral sold, shall be a perpetual bar, both at law and in equity, against the Debtor, its successors and assigns, and against any and all Persons claiming the Collateral sold or any part thereof under, by or through the Debtor, its successors or assigns.

6.5. Waiver by Debtor. To the extent permitted by law the Debtor covenants that it will not at any time insist upon or plead, or in any manner whatever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take, nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Collateral or

any part thereof prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and, to the full extent legally permitted, hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of the Debtor acquiring any interest in or title to the Collateral or any part thereof subsequent to the date of this Security Agreement, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Secured Party, but will suffer and permit the execution of every such power as though no such power, law or laws had been made or enacted.

6.6. **Application of Sale Proceeds.** The purchase money proceeds and/or avails of any sale of the Collateral, or any part thereof, and the proceeds and the avails of any remedy hereunder shall be paid to and applied as follows:

(a) First, to the payment of costs and expenses of foreclosure or suit, if any, and of such sale, and of all proper expenses, liability and advances, including legal expenses and attorneys' fees, incurred or made hereunder by the Secured Party, or the holder or holders of the Notes and of all taxes, assessments or Liens superior to the Lien of these presents, except any taxes, assessments or other superior Lien subject to which said sale may have been made;

(b) Second, to the pro rata payment to the holder or holders of the Notes of the amount then owing or unpaid on the Notes for principal and interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due, owing or unpaid upon the Notes, then ratably according to the aggregate of such principal and the accrued and unpaid interest, with application on each Note to be made, first, to the unpaid interest thereon, and second, to unpaid principal thereof; such application to be made upon presentation of the several Notes, and the notation thereon of the payment, if partially paid, or the surrender and cancellation thereof, if fully paid; and

(c) Third, to the payment of the surplus, if any, to the Debtor, its successors and assigns, or to whosoever may be lawfully entitled to receive the same.

6.7. **Discontinuance of Remedies.** In case the Secured Party shall have proceeded to enforce any right under this

Security Agreement by foreclosure, sale, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely, then and in every such case the Debtor, the Secured Party and the holders of the Notes shall be restored to their former positions and rights hereunder with respect to the Collateral subject to the security interest created under this Security Agreement and thereafter all rights and remedies of the Secured Party and the holders of the Notes shall continue as though no such proceeding had been instituted.

6.8. Cumulative Remedies. No delay or omission of the Secured Party or of the holder of any Note to exercise any right or power arising from any default on the part of the Debtor, shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Secured Party, or the holder of any Note, of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing; nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Security Agreement operate to prejudice, waive or affect the security of this Security Agreement or any rights, powers or remedies hereunder, nor shall the Secured Party or holder of any of the Notes be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

6.9. Control of Remedies by Noteholders. Notwithstanding any other provision of this Section 6, the holders of at least 66-2/3% in principal amount of the Notes from time to time outstanding shall have the right, by an instrument in writing delivered to the Secured Party, to determine which of the remedies herein set forth shall be adopted and to direct the time, method and place of conducting all proceedings to be taken under the provisions of this Agreement for the enforcement thereof or of the Notes; provided, however, that the Secured Party shall have the right to decline to follow any such direction if the Secured Party shall be advised by counsel that the action or proceeding so directed may not lawfully be taken or would be unjustly prejudicial to holders of Notes not parties to such direction.

SECTION 7. INTERPRETATION OF SECURITY AGREEMENT; DEFINITIONS.

7.1. Definitions. Unless the context otherwise requires, the terms hereinafter set forth when used herein shall

have the following meanings and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

Adjustable Rate. The term "Adjustable Rate" shall have the meaning assigned thereto in the Note Agreement.

Adjustment Date. The term "Adjustment Date" shall have the meaning assigned thereto in the Note Agreement.

Affiliate. The term "Affiliate" shall mean a Person (a) which, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Debtor, (b) which beneficially owns or holds 5% or more of any class of the Voting Stock of the Debtor, or (c) 5% or more of Voting Stock (or in the case of a Person which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Debtor. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Casualty Occurrence. The term "Casualty Occurrence" with respect to any Item of Equipment shall mean any of the following events: (a) such Item shall be destroyed, (b) such Item shall be irreparably damaged so as to make it unfit for its intended purpose, (c) such Item shall become lost or stolen, or (d) such Item shall be requisitioned or taken over by condemnation or otherwise resulting in loss of possession by the Debtor for a period extending beyond the remaining term of the Notes issued to finance a portion of the Purchase Price of such Item.

Casualty Value. The term "Casualty Value" with respect to any Item of Equipment shall be an amount equal to the product of (a) a fraction, the numerator of which is an amount equal to the Purchase Price of such Item of Equipment and the denominator of which is an amount equal to the Purchase Price of such Item of Equipment financed with the proceeds of the Notes (including the Purchase Price of such Item of Equipment) multiplied by (b) the unpaid principal amount of the Notes immediately prior to the prepayment provided for in Section 5.2 of this Security Agreement.

Default. The term "Default" shall mean any event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default.

Distribution. The term "Distribution" in respect of any corporation shall mean:

(a) dividends or other distributions on capital stock of the corporation (except distributions in such stock); and

(b) the redemption or acquisition of such stock or of warrants, rights or other options to purchase such stock (except when solely in exchange for such stock) unless made, contemporaneously, from the net proceeds of a sale of such stock.

Equipment. The term "Equipment" and the term "Items of Equipment" shall mean all, and the term "Item of Equipment" shall mean each, of the Items of Equipment from time to time more fully described in Exhibit A.

Event of Default. The term "Event of Default" is defined in Section 6.1 of this Security Agreement.

Fair Market Value. The term "Fair Market Value" with respect to any Item of Equipment shall mean the Purchase Price of such Item of Equipment if and to the extent the same was acquired by the Debtor within 12 months prior to the date of determination of such Fair Market Value and in the case of all other Items of Equipment shall be appraised value thereof. The appraised value shall be made by a Person not an Affiliate of the Debtor who is regularly engaged in the appraisal of equipment the same as or similar to such Item of Equipment.

Initial Lease. The term "Initial Lease" shall mean that certain Equipment Lease dated as of September 15, 1982, between the Debtor, as lessor, and the Initial Lessee, as lessee, as extended by the SOO Line Railroad Company, the successor to the Property of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, as the same may from time to time be amended or supplemented.

Initial Lessee. The term "Initial Lessee" shall mean Richard B. Ogilvie, Trustee of the Property of Chicago, Milwaukee, St. Paul and Pacific Railroad Company, Debtor, and the successor to the Properties of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company.

Initial Equipment. The term "Initial Equipment" shall mean the 205 100-ton, 4,000 cubic foot capacity, open top hopper cars bearing road number MILW 120000 through MILW 120209, both inclusive, but excluding MILW 120014, 120016, 120060, 120071 and 120074.

Installment Payment Date. The term "Installment Payment Date" shall mean each January 31, April 30, July 31 and October 31 in each year while any of the Notes remain outstanding.

Lease. The term "Lease" shall mean any lease between the Debtor, as lessor, and any other Person, as lessee (other than the Initial Lease), pursuant to which the Debtor has leased any Item of Equipment to such Person; provided that any such lease shall by its terms be made expressly subject and subordinate to the Lien of this Security Agreement and the rights of the Secured Party hereunder.

Lessee. The term "Lessee" shall mean any Person (other than the Initial Lessee) which has entered into a Lease of any Item of Equipment between the Debtor, as lessor, and such Person, as lessee.

Lien. The term "Lien" shall mean any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including but not limited to pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting Property. For the purposes of this Security Agreement, the Debtor or a Subsidiary shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale Agreement, financing lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes.

Non-Recourse Debt. The term "Non-Recourse Debt" shall mean indebtedness for borrowed money of the Debtor incurred in connection with the financing of property which is subject to a lease or security agreement providing for rentals or other payments sufficient to pay the entire principal of and interest on such indebtedness for borrowed money on or before the date or dates for payment thereof and which indebtedness for borrowed money does not constitute a general obligation of the Debtor but is repayable solely out of the rentals of other sums payable under the lease or security agreement and/or the property subject thereto.

Officer's Certificate. The term "Officer's Certificate" shall mean a certificate signed by the President, any Vice President, the Treasurer or the Secretary of the Debtor.

Opinion of Counsel. The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel who shall be satisfactory to the Secured Party.

Pension Plans. The term "Pension Plans" shall mean the Debtor's Investment Retirement Program for Salaried Employees,

the Debtor's Retirement Plan for Non-Union Hourly Employees, and the Debtor's Retirement Plan for Union Hourly Employees.

Permitted Encumbrances. The term "Permitted Encumbrances" shall mean with respect to any Item of Equipment, but only to the extent applicable to such Item, (a) the right, title and interest of a Lessee under any Lease covering such Item of Equipment, provided that any such right, title and interest shall by the express terms of the related Lease be and be made subject and subordinate to the right, title and interest of the Secured Party under this Security Agreement; (b) the right, title and interest of the Initial Lessee under the Initial Lease in the Initial Equipment; (c) Liens thereon for taxes, assessments, levies, fees and other governmental and similar charges and Liens of mechanics, suppliers, materialmen and laborers for work or service performed or materials furnished in connection with any such Item, in any such case which are not due and payable or the amount or validity of which is being contested in good faith by appropriate proceedings by a Lessee under a Lease or the Initial Lessee under the Initial Lease in a manner which will not result in the imposition of any criminal penalty on, or materially and adversely affect the title, interest or rights of the Debtor or the Secured Party in, such Item; (d) the Lien of taxes, charges, assessments, claims or Liens not required at the time to be paid pursuant to Section 2.9 hereof; and (e) the Lien of this Security Agreement.

Person. The term "Person" shall mean an individual, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

Required Holders. The term "Required Holders" shall mean the holders of at least 66-2/3% in principal amount of the outstanding Notes.

Security. The term "Security" shall have the same meaning in Section 2(1) of the Securities Act of 1933, as amended.

Substitute Equipment. The term "Substitute Equipment" shall mean the railcars, track repair and maintenance equipment and/or material handling equipment for warehouse installations substituted for Equipment upon the terms and conditions contained in Section 3.3 hereof.

Useful Life. The term "Useful Life" with respect to any Item of Equipment shall mean as of the date of determination the estimated remaining useful life (without taking into account inflation or deflation) of such Item determined by a Person not an Affiliate of the Debtor who is regularly engaged in estimating the useful life of equipment the same as or similar to such Item of Equipment.

Voting Stock. The term "Voting Stock" shall mean Securities of any class or classes of a corporation the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

7.2. Accounting Principles. Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Security Agreement, this shall be done in accordance with generally accepted accounting principles at the time in effect, to the extent applicable, except where such principles are inconsistent with the requirements of this Security Agreement.

7.3. Directly or Indirectly. Where any provision in this Security Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person, including actions taken by or on behalf of any partnership in which such Person is a general partner.

SECTION 8. MISCELLANEOUS.

8.1. Successors and Assigns. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, premises and agreements in this Security Agreement contained by or on behalf of the Debtor or by or on behalf of the Secured Party, shall bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not.

8.2. Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Security Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

8.3. Communications. All communications provided for herein shall be in writing and shall be deemed to have been given (unless otherwise required by the specific provisions hereof in respect of any matter) when delivered personally or when deposited in the United States mail, registered, postage prepaid, addressed as follows:

If to the Debtor:

General Electric Railcar Services Corporation
33 West Monroe
Chicago, Illinois 60603
Attn: Mr. David J. Lidstone
Associate General Counsel

If to the Secured Party:

Connecticut Mutual Life Insurance Company
140 Garden Street
Hartford, Connecticut 06154
Attn: Private Placement Department

All notices and other communications, except with respect to payments, to be addressed as above.

All notices with respect to payments to be addressed to the attention of Banking Services Department.

All payments to be made as follows: By bank wire transfer of Federal or other immediately available funds (identifying each payment as to issuer, security and principal or interest) to: The Connecticut Bank and Trust Company
One Constitution Plaza
Hartford, Connecticut 06115
Account No. 000-051-5

or to the Debtor or the Secured Party at such other address as the Debtor or the Secured Party may designate by notice duly given in accordance with this Section to the other party.

8.4. Release. The Secured Party shall release this Security Agreement and the security interest granted hereby by proper instrument or instruments upon presentation of satisfactory evidence that all indebtedness hereby secured has been fully paid or discharged.

8.5. Governing Law. This Security Agreement and the Notes shall be construed in accordance with and governed by the laws of the State of Illinois; provided, however, that the Secured Party shall be entitled to all the rights conferred by any applicable Federal statute, rule or regulation.

8.6. Headings. Any headings or captions preceding the text of the several Sections hereof are intended solely for convenience of reference and shall not constitute a part of this Security Agreement nor shall they affect its meaning, construction or effect.

IN WITNESS WHEREOF, the Debtor has caused this Security Agreement to be executed, all as of the day and year first above written.

GENERAL ELECTRIC RAILCAR
SERVICES CORPORATION

By: *William D. Myer*
Its: *Vice President*

DEBTOR

[SEAL]

ATTEST:

David J. Lubbock
Assistant Secretary

EXHIBIT A

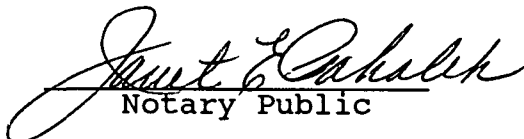
DESCRIPTION OF EQUIPMENT

<u>Number of Items</u>	<u>Description</u>	<u>Identifying Mark and Numbers (Both Inclusive)</u>
205	100-ton, 4000 Cubic Foot Capacity Open Top Hopper Cars	MILW 120000 through MILW 120209, except: MILW 120014, 120016, 120060, 120071, and 120074.

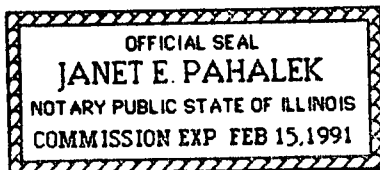
ACKNOWLEDGEMENT

State of Illinois)
County of Cook) ss:

On this 11th day of November, 1988, before me personally appeared, William H. Murray, to me personally known, who being by me duly sworn, says that he is the Vice President of General Electric Railcar Services Corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.


Notary Public

My Commission expires:



[Seal]